



ATCO Gas and Pipelines Ltd. (South)

**Transfer of Pipelines between NOVA Gas Transmission Ltd.
and ATCO Gas and Pipelines Ltd. (South)
Tranche 4**

November 29, 2016

Alberta Utilities Commission

Decision 21945-D33-2016

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Tranche 4

Proceeding 21945

Applications 21945-A001 to 21945-A032

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Transfer of Pipelines between NOVA Gas Transmission Ltd. and ATCO Gas and Pipelines Ltd. (South) **Decision 21945-D33-2016**
Tranche 4 **Proceeding 21945**
Applications 21945-A001 to 21945-A032

1 Decision summary

1. In this decision, the Commission must decide whether to approve 32 licence transfer applications filed by ATCO Gas and Pipelines Ltd. (South) (ATCO). These applications relate to the exchange, or swap, of certain assets between ATCO and NOVA Gas Transmission Ltd. (NGTL) approved by the Alberta Utilities Commission¹ and by the National Energy Board (NEB).² The pipeline assets have been divided into four groups, referred to in this decision as tranches. This decision relates specifically to the transfer of the Tranche 4 pipeline assets between ATCO and NGTL. For the reasons outlined in this decision, the Commission finds that approval of the Tranche 4 licence transfer applications is in the public interest having regard to the social, economic, and other effects of the project, including its effect on the environment.

2 Introduction and background

2.1 Summary of previous “asset swap” proceedings

2. NGTL and ATCO entered into the Alberta System Integration Agreement in April 2009. This agreement required ATCO and NGTL, subject to regulatory approvals, to swap ownership of certain physical pipeline assets within distinct operating territories or “footprints” in Alberta (asset swap) and to work together in Alberta under a single rates and services structure, while maintaining separate ownership, management and operation of their assets.

3. The asset swap was approved in principle by the Commission in Decision 2010-228³ and in the National Energy Board Decision RHW-1-2010. When evaluating the asset swap and considering whether the no harm test was satisfied, the Commission weighed the overall benefits of integration against the specific costs identified in the asset transfer approval application and decided that the requirement of the no harm test was met as it relates to service quality, reliability and increased costs to customers.

4. Under the asset swap, ATCO is transferring to NGTL 393 pipeline segments totaling 1,249 kilometres (km) in length and is receiving from NGTL 171 pipeline segments totaling

¹ Decision 2012-310: ATCO Gas and Pipelines Ltd. - Asset Swap Application, Proceeding 1723, Application 1608166, November 22, 2012.

² Exhibit 21379-X0098, NGTL – Integration Assets Transfer.

³ Decision 2010-228: ATCO Pipelines – 2010-2012 Revenue Requirement Settlement and Alberta System Integration, Proceeding 223, Application 1605226, May 27, 2010.

1,440 km in length. ATCO will also acquire 85 net⁴ new meter stations and will transfer one compressor station.⁵

5. The Commission considered ATCO's asset swap application in Proceeding 1723 and approved that application in Decision 2012-310. In that decision, the Commission found as follows:

Based on its review of the evidence in this proceeding, the Commission is satisfied that AP has met the requirement of the no harm test, specifically as it relates to concerns regarding service quality, reliability, and increased costs to customers, which has been applied by the Commission in determining whether to approve a disposition under Section 26(2)(d) of the *Gas Utilities Act*.

...Nevertheless, the implications of the Asset Swap for rate-making purposes should not be construed as approved by this decision and remain subject to further scrutiny and determination in AP's next general rate application(s).⁶

6. The Commission considered the rate effects of the asset swap in Decision 3577-D01-2016.⁷ In that decision, the Commission approved the one-time capital, operating and maintenance costs, and ongoing operating and maintenance cost increases associated with the swapped assets. The Commission accepted a placeholder amount of zero for the resulting net book value balance, on the premise that any differences in net book value would be trued-up in a future proceeding.

7. ATCO and NGTL decided to transfer these assets to each other in four tranches. The asset swap was commercially completed by ATCO and NGTL on September 1, 2016,⁸ with the exchange of assets in Tranche 4. The remaining steps in the process include completion of land rights transfers, finalization of the licence transfer process, and monetary adjustments.

8. The first set of pipeline transfer applications, tranches 1, 2 and 2a were filed on March 1, 2016. The Tranche 1 and Tranche 2 applications were registered in Proceeding 21369; the Tranche 2a applications were registered in Proceeding 21379. The Commission subsequently issued a notice of application for these two proceedings.

9. The Consumers' Coalition of Alberta (CCA) filed a statement of intent to participate in Proceeding 21379, outlining its concerns with respect to the applications. In its submissions, the CCA expressed concerns about the age of some of the assets, their location in urban areas, their continued usefulness and the potential for future costs related to integrity management. The CCA's concerns were primarily related to pipelines that are being transferred from NGTL to ATCO. While the CCA filed their submissions in Proceeding 21379, its concerns related to all of the assets being transferred in the four tranches.

⁴ ATCO will gain 115 additional stations and lose 30 stations to NGTL as a result of the asset swap.

⁵ Decision 3577-D01-2016: ATCO Pipelines 2015-2016 General Rate Application, Proceeding 3577, February 29, 2016, paragraph 243.

⁶ Decision 2012-310: ATCO Gas and Pipelines Ltd. - Asset Swap Application, Proceeding 1723, Application 1608166, November 22, 2012, paragraph 52.

⁷ Decision 3577-D01-2016: ATCO Pipelines – 2015-2016 General Rate Application, Proceeding 3577, February 29, 2016.

⁸ NGTL's asset swap application was approved by the NEB on October 16, 2014.

10. On November 2, 2016, the Commission issued Decision 21379-D21-2016⁹ in which it approved the transfer of the Tranche 2a pipelines from NGTL to ATCO. The Commission reviewed the issues raised by the CCA and concluded that it would not reexamine those issues related to the no harm test, cost allocation and NGTL rate design issues because those issues had already been tested and decided. Regarding the CCA's remaining concerns about the age, usefulness, safety, integrity and communications compatibility of the assets transferred from NGTL to ATCO, the Commission found that ATCO had demonstrated that it took reasonable steps to evaluate the compliance of the assets with regulatory and legislative requirements and ATCO's own operational standards. The Commission also found that the transferred assets can be effectively integrated into ATCO's integrity management system and operated safely.

2.2 The current applications

11. The Tranche 4 applications were registered as applications 21945-A001 to 21945-A032 on September 1, 2016. Applications 21945-A001 and 21945-A002 are for the transfer of segments of the Grande Cache area pipelines from ATCO to NGTL. Applications 21945-A003 to 21945-A032 are for the transfer of various pipeline segments throughout Alberta from NGTL to ATCO. The pipeline segments in these applications are listed in Schedule A. ATCO filed the Tranche 4 pipeline assets pursuant to sections 9 and 11 of the *Pipeline Act* and Section 4.1 of the *Gas Utilities Act*.

12. On September 23, 2016, the Commission issued a notice of application via email, to registered parties on Proceeding 1723, which dealt with the exchange of assets of approximately equal net book value between ATCO and NGTL. The Commission did not receive any submissions. However, the Commission held this proceeding in abeyance, pending its decision in Proceeding 21379, in which it addressed the general issues raised by the CCA, with respect to all of the assets that would be the subject of the licence transfer applications, including the Tranche 4 assets.

3 Commission findings

13. The Commission finds that the general concerns expressed by the CCA with respect to the assets swaps, have been addressed adequately, with respect to the Tranche 4 assets. Specifically, the Commission has reviewed the applications and has determined that they meet the requirements stipulated in Rule 020: *Rules Respecting Gas Utility Pipelines*. The Commission finds that ATCO took reasonable steps to evaluate the compliance of the Tranche 4 assets with regulatory and legislative requirements and it is satisfied that the assets being transferred from NGTL to ATCO in Tranche 4 can be integrated effectively into ATCO's integrity management system and operated safely.

⁹ Decision 21379-D21-2016: ATCO Gas and Pipelines Ltd. (South) – Transfer of Pipelines from NOVA Gas Transmission Ltd. to ATCO Gas and Pipelines Ltd. (South) Tranche 2a, Proceeding 21379, Applications 21379-A001 to 21379-A017, November 2, 2016.

4 Decision

14. The Commission has previously found the asset transfers associated with integration between NGTL and ATCO to be in the public interest. Based on the foregoing, the Commission considers the licence transfers to be in the public interest in accordance with Section 17 of the *Alberta Utilities Commission Act*.

15. Pursuant to Section 11 of the *Pipeline Act* and Section 4.1 of the *Gas Utilities Act*, the Commission approves the amendments to licences 7524 and 7828 and grants ATCO the amended licences as set out in the following appendices to transfer pipelines in Tranche 4 from ATCO to NGTL:

- Appendix 1 – Gas Utility Pipeline Licence 7524 – November 29, 2016
- Appendix 2 – Gas Utility Pipeline Licence 7828 – November 29, 2016

16. The Commission also approves the transfer of pipelines from NGTL to ATCO in Tranche 4 and grants ATCO new licences to replace lines listed in appendices 3 to 32, to be issued pending pipeline database updates.

17. The appendices will be distributed separately.

Dated on November 29, 2016.

Alberta Utilities Commission

(original signed by)

Henry van Egteren
Commission Member

Schedule A

Pipeline transferred from ATCO to NGTL pertaining to AUC Licence 7524:

- lines 1, 17, 23, 25, 27 to 38, 46 and 49, 44.17 km of 219.1-millimetre outside diameter (OD) pipe (Grande Cache)
- lines 18, 24, 26 and 48, 0.49 km of 168.3-millimetre OD pipe (Grande Cache)
- lines 39 to 45, 47, 50 and 51, 64 km of 273.1-millimetre OD pipe (Grande Cache)
- modification of base map for lines 18, 23 and 24
- modification of “From Location” LSD of line 17

Pipeline transferred from ATCO to NGTL pertaining to AUC Licence 7828:

- lines 11, 13, 15, 16, 20, 24, 32 and 37 to 40, 15.18 km of 114.3-millimetre OD pipe (Grande Cache)
- line 18, 0.29 km of 42.2-millimetre OD pipe (Grande Cache)
- modification of base map for line 32
- modification of “From Location” LSD of line 20
- modification of “To Location” LSD of line 24

Pipelines transferred from NGTL to ATCO pertaining to Alberta Energy Regulator (AER)/NEB Licence 80077:

- line 1, 0.03 km of 323.9-millimetre OD pipe (Nevis North Lateral)
- line 2, 0.03 km of 114.3-millimetre OD pipe (Nevis North Lateral #2)
- modification of pipe specifications of line 2
- modification of base map for lines 1 and 2

Pipeline transferred from NGTL to ATCO pertaining to AER/NEB Licence 80078:

- line 1, 0.45 km of 219.1-millimetre OD pipe (Nevis South Feeder)
- modification of base map for line 1

Pipelines transferred from NGTL to ATCO pertaining to AER/NEB Licence 80089:

- lines 2, 3 and 4, 40.58 km of 323.9-millimetre OD pipe (Nevis Lateral Extension)
- line 5, 16.10 km of 323.9-millimetre OD pipe (Ferintosh Lateral Loop #2)
- line 6, 8.40 km of 273.1-millimetre OD pipe (Ferintosh Lateral Loop #2)
- line 15, 31.21 km of 168.3-millimetre OD pipe (Ferintosh Lateral)
- line 16, 0.11 km of 219.1-millimetre OD pipe (Wood River Sales Lateral)
- line 17, 0.11 km of 219.1-millimetre OD pipe (Wood River Sales Lateral – Reverse Line)
- line 18, 15.95 km of 219.1-millimetre OD pipe (Ferintosh Lateral Loop)
- line 19, 0.24 km of 219.1-millimetre OD pipe (Wood River M/S Producer Tie-In)
- modification of base map for lines 2, 5 and 6
- length modification of lines 3 and 19
- “To Location” LSD modification of line 16
- “From Location” LSD modification of line 17

Pipelines transferred from NGTL to ATCO pertaining to AER/NEB Licence 80090:

- lines 1 and 2, 12.42 km of 219.1-millimetre OD pipe (Chigwell West Lateral)

Pipelines transferred from NGTL to ATCO pertaining to AER/NEB Licence 80117:

- line 1, 0.80 km of 114.3-millimetre OD pipe (Chigwell East Lateral Loop)
- line 2, 0.75 km of 168.3-millimetre OD pipe (Chigwell East Lateral)

Pipelines transferred from NGTL to ATCO pertaining to AER/NEB Licence 80154:

- line 6, 0.20 km of 26.7-millimetre OD pipe
- line 10, 1.30 km of 114.3-millimetre OD pipe (Pine Lake Lateral)
- line 14, 0.07 km of 60.3-millimetre OD pipe
- line 11, 33.00 km of 508.0-millimetre OD pipe (Nevis Lateral Loop -Torington Section)
- lines 12 and 13, 14.35 km of 406.4-millimetre OD pipe (Nevis Lateral Loop - Pine Lake Section)
- lines 15, 16, and 17, 73.06 km of 406.4-millimetre OD pipe (Nevis Lateral -1967)
- modification of base map for line 15

Pipeline transferred from NGTL to ATCO pertaining to AER/NEB Licence 80206:

- line 4, 36.47 km of 219.1-millimetre OD pipe (Donalda Lateral)
- modification of internal protection code of line 4

Pipelines transferred from NGTL to ATCO pertaining to AER/NEB Licence 80210:

- line 1, 0.50 km of 168.3-millimetre OD pipe (Huxley M/S Producer Tie-In)
- line 2, 5.60 km of 168.3-millimetre OD pipe (Huxley Lateral)

Pipelines transferred from NGTL to ATCO pertaining to AER/NEB Licence 80212:

- line 1, 15.10 km of 168.3-millimetre OD pipe (Mikwan Lateral)
- line 2, 15.20 km of 273.1-millimetre OD pipe (Mikwan Lateral Loop #2)

Pipeline transferred from NGTL to ATCO pertaining to AER/NEB Licence 80213:

- line 1, 0.72 km of 168.3-millimetre OD pipe (Mikwan North Lateral)

Pipeline transferred from NGTL to ATCO pertaining to AER/NEB Licence 80243:

- line 1, 8.50 km of 114.3-millimetre OD pipe (Lousana Lateral)
- modification of base map for line 1

Pipeline transferred from NGTL to ATCO pertaining to AER/NEB Licence 80261:

- line 1, 0.34 km of 33.4-millimetre OD pipe (Chain Lakes Gas Co-Op #4354)

Pipeline transferred from NGTL to ATCO pertaining to AER/NEB Licence 80330:

- line 5, 0.61 km of 88.9-millimetre OD pipe (Bashaw West Lateral)

Pipeline transferred from NGTL to ATCO pertaining to AER/NEB Licence 80372:

- line 1, 14.27 km of 219.1-millimetre OD pipe (Bashaw Lateral)

Pipelines transferred from NGTL to ATCO pertaining to AER/NEB Licence 80391:

- lines 3 and 5, 11.72 km of 114.3-millimetre OD pipe (Mikwan East Lateral)
- line 10, 8.37 km of 168.3-millimetre OD pipe (Mikwan East Lateral Loop #2)
- line 11, 15.23 km of 168.3-millimetre OD pipe (Mikwan Lateral Loop)

Pipelines transferred from NGTL to ATCO pertaining to AER/NEB Licence 80402:

- line 4, 14.52 km of 168.3-millimetre OD pipe (Ferintosh North Lateral)
- line 6, 7.73 km of 114.3-millimetre OD pipe (Duhamel Lateral)
- line 7, 22.60 km of 114.3-millimetre OD pipe (Ohaton Lateral Loop)
- line 8, 13.60 km of 273.1-millimetre OD pipe (Ferintosh North Lateral Loop)

Pipeline transferred from NGTL to ATCO pertaining to AER/NEB Licence 80453:

- line 1, 6.00 km of 168.3-millimetre OD pipe (Mirror Lateral)

Pipelines transferred from NGTL to ATCO pertaining to AER/NEB Licence 80454:

- line 2, 12.30 km of 114.3-millimetre OD pipe (Lamerton Lateral)
- line 3, 12.20 km of 219.1-millimetre OD pipe (Dorenlee Lateral Loop)

Pipeline transferred from NGTL to ATCO pertaining to AER/NEB Licence 80482:

- line 12, 22.57 km of 114.3-millimetre OD pipe (Ohaton Lateral)

Pipeline transferred from NGTL to ATCO pertaining to AER/NEB Licence 80494:

- line 1, 11.58 km of 114.3-millimetre OD pipe (Mikwan East Lateral Loop)

Pipeline transferred from NGTL to ATCO pertaining to AER/NEB Licence 80496:

- line 1, 10.48 km of 168.3-millimetre OD pipe (Bittern Lake Sales Lateral)
- “To Location” LSD modification of line 1

Pipelines transferred from NGTL to ATCO pertaining to AER/NEB Licence 80516:

- line 1, 0.35 km of 168.3-millimetre OD pipe (Armena M/S Producer Tie-In)
- line 2, 27.20 km of 168.3-millimetre OD pipe (Armena Lateral)
- modification of base map for line 2

Pipeline transferred from NGTL to ATCO pertaining to AER/NEB Licence 80522:

- line 1, 7.71 km of 168.3-millimetre OD pipe (Duhamel Lateral Loop)

Pipeline transferred from NGTL to ATCO pertaining to AER/NEB Licence 80539:

- line 1, 10.66 km of 114.3-millimetre OD pipe (Huxley East Lateral)

Pipeline transferred from NGTL to ATCO pertaining to AER/NEB Licence 80635:

- line 1, 16.10 km of 219.1-millimetre OD pipe (Donalda Lateral Loop)
- “To Location” LSD modification of line 1

Pipelines transferred from NGTL to ATCO pertaining to AER/NEB Licence 80636:

- line 1, 21.10 km of 323.9-millimetre OD pipe (Nevis Lateral Extension Loop)
- line 2, 3.80 km of 323.9-millimetre OD pipe (Nevis Lateral Extension Loop - Mirror Section)

Pipelines transferred from NGTL to ATCO pertaining to AER/NEB Licence 80638:

- line 1, 5.50 km of 168.3-millimetre OD pipe (Miquelon Lake Lateral)

Pipelines transferred from NGTL to ATCO pertaining to AER/NEB Licence 80639:

- line 1, 2.30 km of 114.3-millimetre OD pipe (Camrose Creek Lateral)

Pipelines transferred from NGTL to ATCO pertaining to AER/NEB Licence 80194:

- line 6, 0.05 km of 26.7-millimetre OD pipe (Crossroads Gas Co-op Tap #4020)

Pipelines transferred from NGTL to ATCO pertaining to AER/NEB Licence 80072:

- line 1, 0.21 km of 406.4-millimetre OD pipe (Nevis Lateral Extension)
- line 25, 26.40 km of 508.0-millimetre OD pipe (Ferintosh Lateral Loop #2)
- line 24, 0.45 km of 219.1-millimetre OD pipe (Ferintosh Lateral Loop #2)
- modification of base map for lines 1 and 24
- length modification of line 1
- “From Location” LSD and section modification of line 1
- “To Location” section modification of line 1
- “From Location” LSD modification of line 24